CONGRESSMAN

Bob Edgar

August 1981

Dear Taxpayer:

Everyone in Congress agreed that a major tax cut was needed, and on July 29th, I voted for a reduction in your taxes. (See Option #1, inside.)

Inside this report I have outlined the proposal I voted for and explained the other options offered me.

If you would like to discuss the tax issue with me, I invite you to my next regular public forum:

8 P.M., MONDAY, SEPT. 14TH
UPPER DARBY TOWNSHIP BUILDING
LONG LANE AND GARRETT ROAD

Your input on the tax issue as a respondent to my March Questionnaire was appreciated: Of those answering that particular question, 25% said to proceed with the President's plan even if the deficit is high; 22% said to hold-off until the budget is more stable; and 26% favored targeted rather than across-the-board cuts.

No matter how you felt about the great tax debate, I know you would like to read the final results. The enclosed listing can be clipped and saved for your tax records.

With regards,

Bob Edgar

Bob Edgar
M.C.

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TAX BULLETIN

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OPTION #1:

I voted for a tax cut proposal (the so-called Anti-Inflation, Anti-High Interest Tax Cut Alternative authored by Rep. Mo Udall) which:

- featured a balanced budget in 1982 with a projected surplus of $20 billion in 1983 (this would have kept the federal government from blocking business growth by keeping it out of money markets where it would be the preferred customer over business and private borrowers.
- provided individuals a cut of $9.1 billion in 1982 and $36 billion in 1983, giving a higher percentage of the reduction to those making below $50,000 than did the House Ways and Means and the Administration proposals.
- targeted business tax cuts to small businesses ($9.6 billion in 1982 and $17 billion in 1983) with incentives aimed at productivity and modernization (the rehabilitation tax credit for older businesses would have been expanded).
- repealed the 22% reduction oil and gas producers have been able to take off their gross income for tax purposes.
- closed loopholes that benefited commodity traders and provided tighter controls on tax avoidance schemes.

OPTION #2:

The Ways and Means Committee's proposal concerned me because it:

- gave the oil industry $10 billion in unneeded tax cuts in a bid for Southern Democratic votes.
- did not target its business tax cuts to small businesses which are the most innovative and create the most new jobs.
- indiscriminately gave cash bailouts from the treasury to the airline, automobile, mining, paper, railroad and steel industries.

OPTION # 3:

My third option, the Administration supported proposal, which was passed by the House, caused me even greater concern, as it:

- gives the oil industry a $16 billion tax cut which by 1990 will amount to a $46 billion break, all to win Democratic votes from the South.
- does not have a "trigger" provision to hold-off on third year tax cuts if the economy is unstable. (Should inflation, interest rates and unemployment be high in 1984, the $152.9 billion shortfall in revenues due to the tax cut that year would be catastrophic.)
- assures that the tax loophole for commodity traders will be continued.
- reserves its largest tax rate cuts for upper-income groups who would receive virtually all the benefits of "reforms" relating to capital gains treatment, All-Savers certificates, incentive stock options for executives, and estate and gift tax cuts. (Thus, 5.6% of all taxpayers--those making over $50,000--would receive 35% of the tax cut.)

AS A PUBLIC SERVICE I HAVE LISTED THE KEY PROVISIONS OF THE FINAL VERSION OF THE TAX BILL AFTER HOUSE AND SENATE COMPROMISES WERE REACHED.

PLEASE DETACH AND KEEP WITH YOUR TAX RECORDS THESE MONUMENTAL CHANGES IN TAX POLICY PASSED ON AUGUST 4, 1981.

INDIVIDUAL TAX CUTS*

RATE CUTS: Withholding changes to take place on October 1,1981; July 1, 1982 and July 1, 1983. Top marginal tax rate is reduced from 70% to 50% as of January 1, 1982. Which means reductions for a family of four per below chart:

Income		1982	1983	1984
$10,000	one-earner	$ 52	$ 78	$ 83
	two-earner	69	110	113
20,000	one-earner	228	371	464
	two-earner	275	456	544
60,000	one-earner	1255	2370	2928
	two-earner	1547	2895	3423

CAPITAL GAINS RATE: maximum rate of tax on capital gains reduced from 28% to 20% for transactions occurring after June 9, 1981.

MARRIAGE PENALTY TAX DEDUCTION: deduction up to $1,500 in 1982 (5% of the first $30,000 in earnings of the spouse with lowerincome) and up to $3,000 in 1983 (10% of the first $30,000).

CHILD CARE CREDIT: 20% to 30% credit based on income. The maximum amount of eligible employment-related expenses is $2,400 for one-dependent and $4,800 in the case of two or more dependents. Out-of-home, non-institutional care of dependent now eligible for credit.

CHARITABLE CONTRIBUTIONS: short form deductions allowed for charitable contributions of 25% of up to $100 in contributions in 1982 and 1983; 25% up to $300 in 1984 ($75 maximum deduction); in 1985 50% without a cap; in 1986 100% without a cap. Provision expires December 31, 1986.

INDEXING: beginning in 1985, all income brackets, personal exemptions, and zero bracket amount will reflect increases or decreases in the Consumer Price Index. Keeps inflation from pushing workers into higher tax brackets.

INDIVIDUAL RETIREMENT ACCOUNTS, IRA's, AND KEOGH: raises contribution for regular IRA accounts from $1,500 to $2,000; contribution for non-working spouse is raised from $1,750 to $2,250. Persons covered by employer-sponsored pension plans are now permitted to participate. The Keogh plan for the self-employed has had its maximum rate raised from $7,500 to $15,000.

SAVINGS: dividend-interest exclusion of $200 ($400 a couple) goes back to the $100/$200 dividend exclusion as of January 1, 1982. Between October 1, 1981, and January 1, 1983, interest paid on savings certificates issued by depository institutions (which invest 75% of their proceeds in financing housing and agricultural loans) of up to $1000 ($2000 joint return) would be exempted from taxes. The certificates must yield up to 70% of a one-year treasury bill.

*not a complete listing of changes.